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# Climate and Energy Partnerships – Hype or Hope?

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## Note

Climate and Energy Partnerships were the subject of an Expert Workshop which took place on 28 January 2022 in the context of the 22nd Foreign Policy Conference of the Heinrich Böll Foundation. The workshop focussed on four regions in the European Neighbourhood – Ukraine, Turkey, Morocco and the Western Balkans – and discussed the challenges of implementing Climate and Energy Partnerships between these regions and the European Union (and its Member States, respectively). Dr. Sabrina Schulz from the Sustainable Development Solutions Network (SDSN Germany) analysed the ideas and inputs presented by experts from the EU, the German federal government and the four partner regions. This paper summarises the conclusions and recommendations of the workshop.

# Why Climate and Energy Partnerships?

Climate and Energy Partnerships have become a key instrument in European and German climate and energy policy and diplomacy. Their main objectives are a) supporting an accelerated and ambitious transition to a decarbonised or «net zero» economy in the partner country and b) ensuring the supply of green energy (largely green hydrogen) for the European market.

At the core of Climate Partnerships in particular is the transfer of millions of Euros of climate finance from donor countries to low-income and vulnerable countries coupled with knowledge and policy transfer. In the EU context, target countries are frequently located in the European neighbourhood, some of them aspiring to become full-fledged EU Member States.

A Partnership approach suggests communication among equals. In many cases, however, the donor country is clearly in the lead when it comes to the objectives, terms and conditions of the Partnership. The «Lead Partner», for instance the German government, therefore needs a clear strategic vision of what it is willing to give into a Partnership. This applies to (climate and development) finance, technology transfer, policy support, etc. and is a prerequisite for mutual trust.

Energy Partnerships and particularly Hydrogen Partnerships, on the contrary, are based on economic cooperation between the participating countries where one partner relies on the import of affordable green hydrogen at scale for the decarbonisation of its economy.

The increase of Climate and Energy Partnerships is a positive development in principle because they emphasise the notion that «we are in this together» if we want to successfully tackle the climate crisis and the transition to a carbon neutral economy. At the same time, however, if not managed well, the approach may generate fear of neo-colonial structures in an attempt to secure the energy base of the 21st century in the donor country. Climate and Energy Partnerships therefore come not only with mutual expectations, but also with mutual duties, the need to talk openly, and the need to compromise.

# Climate Partnerships – Shaping the Narrative

Climate and Energy Partnerships do not exist in isolation of international and domestic political developments. These developments need to be taken into account when shaping a distinct shared narrative around a Climate and Energy Partnership. For example, the aspirations of countries to become member states of the EU play a role in Climate and Energy Partnerships in the Western Balkans, and political divergences between Morocco and Germany on the status of Western Sahara represent an obstacle for any larger cooperation project for the time being. Furthermore, Russia's war on Ukraine completely overshadows any partnership vision between Kyiv and the European Union.

Importantly, a Partnership has to be associated with something positive that people in both countries want, such as reliable energy supplies, investments and jobs. It has to be concrete and relate to something the public understands. In other words, the Partnership needs to address real, tangible problems, ideally at the local level. The narrative needs to be based on common, jointly formulated objectives.

# Clarity about Everyone's Values, Interests and Roles Generates Trust

At the start of every cooperation, each partner country needs to be clear about what it is willing to offer from the start to avoid disappointment or misunderstandings. Both countries/all partners need to be transparent about their own interests and preferences, including for energy sector reform, climate policy, etc. It takes appropriate spaces and legitimate processes in order for host country stakeholders to formulate their interests and to make themselves heard.

*«If, in the spaces we have, not all partners are represented, we just have to create ad-hoc platforms.»*

In order to build solid, resilient, sustainable and legitimate Climate and Energy Partnerships, trust-building processes are essential. Trust arises in an enabling and inclusive context where Partners can make their material expectations, normative preferences and values transparent. This may relate to technical or economic issues such as targeting 100% renewables in the energy mix of the Partner country, but also to political aspects, such as the respect for human rights and labour laws. When establishing a new Partnership, shared expectations about human rights, democratic standards or other good governance indicators will be of vital importance.

Participatory processes can create legitimacy and ownership, but in order for them to work, all relevant stakeholders (including civil society) need to be included from the very beginning. In addition, all participants need to be equipped for their role, which might require training programmes, addressing administrative/bureaucratic challenges, etc.

*«Trust is the currency most difficult to get.»*

# Politics Matter – Take Them into Account

Climate and Energy Partnerships will not be established in a geopolitical vacuum. Therefore, there needs to be clarity over who to collaborate with, why, and how. Furthermore, developments in other policy areas (e.g. diplomatic tensions over trade; environmental and social requirements for supply chains; etc.) may affect Climate and Energy Partnerships in a positive or negative way. A recent example as mentioned above are the diplomatic tensions between Germany and Morocco that also had implications for the collaboration on hydrogen between the two countries.

Domestic challenges can put a Partnership at risk, too, e.g. when incumbents in the energy sector risk losing their power and proceeds. The Partners have to decide whether and how to include them. There also needs to be clarity over how to ensure that the green transformation is not «hijacked» by fossil incumbents. In addition, distributional aspects in the host country have to be taken into account. The relevant questions to ask are: Who benefits from the Partnership? Who loses out and why?

Politics also matter in a positive way, e.g. in cases where a Climate and Energy Partnership can build on existing structures such as the partnership between Serbia and Baden-Württemberg, which has already produced positive outcomes and established relationships among stakeholders across various sectors.

## The Rules of the Game: Not One Size Fits All

Every Partnership is specific and comes with its own opportunities and challenges. Outside support will always be about the specific needs of a country and requires concrete instruments, a focus on concrete reforms etc. A clear, transparent and binding (legal) framework needs to set the individual «rules of the game» or terms of reference at all levels so everyone, including government and private sector representatives, is clear about their roles and tasks.

*«Each context needs a tailor-made solution. What works with Indonesia probably would not work with India.»*

# Make It a Just Transition

Partners need to ensure that the interests and concerns of the affected people and communities are taken seriously. This is a matter of justice. At the same time, popular support is a prerequisite for success.

The interests of the workers and communities losing out from a phase-out of fossil fuels and related business models therefore have to be taken into account. The same applies to Hydrogen Partnerships that mean considerable economic opportunities for businesses but potential disadvantages for the local populations, for instance where hydrogen production puts additional strain on scarce freshwater resources.

The principle «Leave no one behind» is therefore an important guiding principle for any reforms happening in the context of the Partnership. Next to participation, sufficient funding for a Just Transition and, in some circumstances, adequate compensation for workers and communities are essential. The funds are to be used for retraining measures for workers, investment in local infrastructure to attract new investors/employers, to strengthen social services, etc.

Yet in many cases, the interests of the local population might differ from those of the central government. Thus, in order to gain democratic support, the Partnership needs to be about people's concerns, desires and local realities; abstract, high-level policy language will not generate enthusiasm among the population. It will therefore be necessary to work in an intersectoral and inclusive way to reach all stakeholders.

In any Climate and Energy Partnership, there is a lot of potential beyond the central government and especially in cities with their unique human and social resources for the green transformation (key word: city diplomacy). For example, city alliances such as the C40 network represent a novel format of climate and energy partnerships, where stakeholders share experiences and collaborate with public and private organizations. However, citizen participation and the inclusion of the local level will only work if necessary funds for structures delivering local change are available. This is specifically important for business collaborations in the context of hydrogen production and export.

Example: «Hydrogen production is water intensive: Thus, countries like Morocco that are already faced with water scarcity risk exacerbating the access to fresh water for local communities.»



# It's Not Only About Emissions and Energy

A Climate and Energy Partnership is not only about cutting emissions and supplying green energy. Knowledge and policy transfer in areas such as resilience, adaptation and disaster risk management are key, especially when working with vulnerable countries. Knowledge also matters for issues such as renewable energy cooperatives.

Customs regimes need to be aligned with Climate and Energy Partnerships in the long-term, and new regimes such as Carbon Border Adjustment Mechanisms (CBAMs) and Climate Clubs have to be inclusive and give Partners a chance to prepare for alignments.

## Commitment

In a multiyear or even permanent Partnership, mutual trust and understanding will grow. A Climate and Energy Partnership is not a shortcut to fulfilling the national or commercial interests of one party or a small number of actors. Long-term commitments allow progress and mutual learning.

Climate and Energy Partnerships are a key instrument in international climate and energy cooperation and diplomacy. For Europe, they are essential given the EU's own climate ambition and its complex relationships with countries in the European Neighbourhood with the potential to supply green energy to EU member states. The recommendations in this paper are meant to make Climate and Energy Partnerships into relationships on equal footing and into win-win solutions in the transition to a net zero global economy.

# The Author

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